FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning, everyone, and welcome to Technip's third quarter 2008 results conference call. As a reminder, this conference is being recorded. At this time, all participants are in a listen-only mode. Later, there will be a question and answer session.

I would now like to turn the call over to your host for today's conference call, Mr. Thierry Pilenko, Technip Chairman and CEO. Please go ahead, sir.

Thierry Pilenko - *Technip - Chairman and CEO*

Good morning, ladies and gentlemen. And thank you for participating in Technip's conference call. I'm Thierry Pilenko, Chairman and CEO of Technip. With me are Bernard di Tullio, Chief Operating Officer, Kimberly Stewart, and Antoine d'Anjou from our Investors Relations team. Our new CFO, Julian Waldron, is also in attendance. Julian has joined us only two weeks ago. Therefore, should you have any technical financial questions, Arnaud Real, our Financial Controller, is also with us.

So, Julian's focus over the next few weeks will be to get in touch and know the Technip's operations, most importantly the people and the projects. His main priorities will be to simplify and modernize our processes and tools in a decentralized organization, to look at cost efficiencies and procurement improvement, and to continue to develop the international culture of the senior management team.

Julian, would like to say a word.

Julian Waldron - *Technip - CFO*

Thierry, thank you. I think just to say that I'm delighted to be here. That I'm looking forward to working with all of the analysts and investors on the call.

I've spent a fair amount of time with Thierry and with the Board before joining. And all of the good impressions that I got of the Company during that process, I'm pleased to say, have been very much confirmed by the first two weeks. In particular, that I've got a highly competent finance team that I'm very much looking forward to working with.

As Thierry said, I'm going to spend the next couple of months digging into the business, and getting to know the people that run it. I also hope to spend part of that time with at least some of you, to get to know your views on the Company, and to work out how we can help you to understand what we do and our prospects better.

Thierry, that's it from me.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Julian, and welcome. So, before I comment on the 2008 third quarter results and traditional Q&A session, Kimberly will first remind you of the conference rules.

Kimberly Stewart - *Technip - VP, IR*

Thank you, Thierry. I would like to remind participants that you can download the 2008 third quarter results press release and presentation on our website, technip.com.

Statements in today's press release, as well as those made during the conference call, which are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers and listeners are strongly encouraged to refer to the disclaimers, which are an integral part of today's press release, slide presentation. Also, a replay of today's call will be available on our website approximately two hours after the call ends.

I would like to now turn it over to Thierry.

Thierry Pilenko - *Technip - Chairman and CEO*

Thank you, Kimberly. I will now go over the third quarter financial highlights. So, our Group revenue for the third quarter 2008 was EUR1.933 billion, a 10.8% increase year-on-year. But, excluding the exchange rate translation impacts, revenue decreased only by 5.7% over last year.

The negative change impact of EUR110 million on the Group revenue was primarily due to the 10% year-on-year appreciation of the US dollar and associated currencies.

EBITDA from recurring activities was EUR245 million, up 58% compared to last year. And if we exclude foreign exchange, an increase of 67%.

In terms of margin percentage for the third quarter, this was 12.7% versus 7.2% a year ago.

Operating income from recurring activities was EUR170 million (sic - see press release), up 50%. Operating margin from recurring activities continued to improve compared to last year, from 9.3% -- sorry, to 9.3% from 5.5%.

As of June 30, 2008, foreign exchange had a lower impact on the Group operating income due to the lower profitability of some dollar denominated contracts, such as the Qatar projects. Net income was up 59% at EUR121 million. Diluted EPS was EUR1.15 in the third quarter 2008, an increase of 60% compared to one year ago.

During the third quarter, our order intake was EUR1.552 billion, with a strong contribution of Subsea at 54%. And total backlog as of September 30 amounted to EUR7.717 billion. Subsea reached 46% of Group backlog.

At the end of September, the net cash position was EUR1.555 billion, up 6% compared to the end of June 2008.

Let me take now a more detailed look at the business segment figures and the operational highlights for 2008.

Firstly, Subsea, which continues to perform extremely well. Revenue was EUR789 million, up 22% year-on-year, while EBITDA margin reached an all time record at 27%. Operating income from recurring activities was EUR161 million during third quarter, up 46% compared to last year. Operating margin from recurring activities reached 20.4%, thanks to good continuous execution on projects, and a high utilization rate of 86%.

Activity was high in the North Sea, Brazil and in Africa. We caught up on the Agbami project, offshore Nigeria. Main installation is now nearing completion.

We were moderately impacted by Hurricane Ike in the Gulf of Mexico, which pushed some work into Q4 '08 and 2009. So, full year 2008 revenue is impacted roughly EUR14 million by Hurricane Ike.

Flexible pipe production units continued to work at full capacity. And the engineering for Pazflor, the project in Angola, is progressing well. Procurement is ongoing.

So, good project execution has remained a key driver for high profitability.

Subsea enjoyed also a good order intake of EUR834 million in the third quarter with the first call-up contracts signed under two frame agreements for Block 31, offshore Angola with BP, to provide subsea flow line, flexible pipes, umbilical and associated equipment.

We also signed the Skarv field development project in Norway for BP, a development of the North Sea Dutch sector E-18 and P-9 gas fields for Wintershall, and a two year charter of the Normand Progress vessel with Petrobras to serve the Brazilian deepwater.

Subsea backlog is well balanced with one large project and many medium to small-sized projects, which are well distributed over all regions. As of September 30, this backlog was EUR3.565 billion, up 36% year-on-year.

Now, moving to the Offshore business, revenue was EUR155 million, down 3.5% year-on-year, as expected. Main contribution was from the Akpo FPSO, which arrived on site in Nigeria, and the ongoing execution of the P-56 platform in this quarter.

Operating income was flat compared to last year at EUR8.5 million, and operating margin increased slightly to 5.5%, with good contribution from the Perdido SPAR, which was handed over to Shell on August 8. While the P-51 platform was christened by President Lula of Brazil for Petrobras as the client, and our diversification of the Pori yard in Finland continues.

We have reached an agreement with Chevron concerning the Tahiti Spar. The mooring shackles have been replaced on the other Spar project.

Although we have observed delays in project awards, we did sign numerous small contracts for a total of EUR91 million. As a consequence, Offshore backlog has slipped to EUR421 million. No major EPC lump sum contracts were awarded during this quarter. However, our engineering centers continue to have very high workload, and we expect that some of these studies will materialize into projects.

Moving to Onshore, revenue was EUR988 million, down 27% as major EPC lump sums were executed.

Operating income increased to EUR39 million, compared to nearly EUR5 million a year ago. I will remind, in Q3 2007, we incurred a EUR50 million charge for a petrochemical project in Saudi Arabia. Operating margin continues to improve to 4% as our de-risking strategy in new projects has started to produce results, and large projects were globally executed according to plan.

Discussions on Qatargas III and IV are ongoing. On QatarGas II first train, number 4, utilities were handed over to the clients in August and the inlet facilities in September.

The LNG project in Yemen is in line with plan. The ethylene plant in Shuaiba, Kuwait has been delivered to the client. Several units have been turned over to client on the Khursaniyah project in Saudi Arabia. Completion on this project is expected in the first half of 2009.

The Saudi Yansab project will be ready for start-up in the first quarter of 2009. The Dung Quat refinery in Vietnam is progressing according to plan.

And in Canada, the CNRL Horizon project is progressing according to plan. The hydrogen plant field operations has been completed and is now currently awaiting final acceptance. The heavy oil upgrader has been turned over to client.

In Poland, the Gdansk refinery for Grupa Lotos is progressing well.

Delivery and installation of the modules on Das Island in the UAE are advancing according to schedule, while biodiesel plants for Neste Oil in Rotterdam and Singapore are progressing well. Order intake was EUR626 million, a decline of 42% year-on-year, yet we have a strong workload in our engineering centers.

Despite the slowdown in project awards, several new contracts were signed for the Onshore business segment during the third quarter 2008. Lump sum engineering and procurement award for an ethylene plant for Sibur in Russia. New furnaces on a LSTK basis for steamcracker for Repsol in Portugal. As well as EPCM contract for two processing units for Premcor in Port Arthur, Texas.

Onshore backlog is down 40% year-on-year, yet we saw an increase in service contracts. The four gas LNG projects in Qatar weighted only 11% of the Group backlog at the end of September 2008.

Turning now to the third quarter income statement, we already touched on a few of these lines. And there was no income from activity disposal in the third quarter 2008.

The decision to choose a new enterprise resource planning system requiring less customization and lower maintenance costs, resulted in a one-time EUR20 million non-cash charge against prior investment. Nonetheless, operating income was EUR170 million (sic - see press release), up 43% year-on-year.

Financial charges were EUR1.9 million -- EUR1.5 million, including a EUR1.7 million positive impact on foreign currency exchange rate valuation.

Income tax was EUR56 million. Effective tax rate was 31% compared to 29% one year ago, reflecting higher profit in higher effective tax rate areas, delivering our net income to EUR121 million, up 59% compared to the third quarter 2007.

Moving on to the Group balance sheet, no major change since December 31. Cash and cash equivalents at EUR2.222 billion remains strong, and our financial debt decreased EUR30 million to EUR667 million, of which EUR650 million is for a bond maturing in May 2011.

Shareholders' equities was EUR2.359 billion compared to EUR2.197 billion at -- as of December 2007.

Net cash flow statement, at the end of September our net cash position is EUR1.555 billion, an increase from the beginning of the quarter. CapEx year-to-date amounted to EUR256 million, of which EUR108 million for the third quarter. And project milestone payments amounted to EUR1.2 billion.

Technip has a strong balance sheet with low financial risk. Debt financing has a long horizon with a EUR650 million straight bond maturing in May 2011, and unused confirmed credit facilities, which we increased since the end of last year, from EUR1.1 billion to EUR1.27 billion, expiring in May or June 2012.

We only have cash and term deposits, which are highly liquid, with nearly all invested for less than three months tenure, and mostly invested in European and Asian deposit banks. We monitor the allocation daily per bank.

Finally, Subsea return on capital employed, on an annual basis for the first -- for the third quarter 2008, improved to 23%. Well above the 7% achieved in 2006 and 18% in 2007.

Now, let's take a closer look at Technip's backlog with an analysis of business segments and markets. Balance of backlog per business segment is good. Subsea share increased from 24% at the end of September 2006 to 46% at the end of September 2008. In addition, our market split continues to be well balanced.

Now, turning to backlog by region, at the end of September 2007, Technip backlog was heavily weighted in the Middle East with about 43%. At the end of 2008, September 2008, the Middle East accounted for only 22%. This resulted in a more bilateral geographical split with Africa, Europe, Russia and Central Asia, as well as the Americas, increasing.

Now, if you take a look at our backlog, classified by contract dates, you can see that 62% of our Onshore backlog is from the period 2007 to 2008 compared to 96% and 87% respectively in the Subsea and Offshore segments. Obviously, the most recent awards have given us more opportunities to adjust with current market conditions.

Now, looking at the CapEx status, major CapEx progress as of September 2008, our current accounting method recognizes advancement according to payment. Yet, as you can see on the slide, this is outpaced by the physical progress on three of the projects. Our new flexible plant in Malaysia, the PLSV vessel for Brazil, and the Skandi Arctic for the Norwegian waters are well ahead. For the new pipe layer vessel, which will serve all worldwide markets, physical and payment progress are in line.

So, in the first nine months, CapEx was EUR256 million, in line with our full year estimate of around EUR400 million. Our previous 2009/2010 CapEx of EUR650 million to EUR750 million is under review due to recent market developments.

Now, going to the full year outlook, we estimate that Subsea revenue will be around EUR2.65 billion. And that the combined Onshore/Offshore revenue will be around EUR4.650 billion, consistent with backlog scheduling. And, therefore, we expect 2008 Group revenue to be approximately EUR7.3 billion.

We forecast a Subsea margin well above 18%, and maintain our combined Onshore/Offshore operating margin target at 3.8%, resulting in an overall Group margin above 8%.

Net cash situation, at the end of 2008, should be at the upper end of our EUR1.1 billion to EUR1.3 billion estimate.

Now, let's talk about the medium term impact of the global financial and economic crisis. So, diverse reactions to the oil price decline and financial crisis, and all stakeholders been rethinking their plans in the new environment. So, I'll start with our customers.

The decreasing oil price has been extremely brutal, and it is hard to predict where and when it will stabilize. Yet, even at $60 per barrel, many projects remain very profitable. In fact, most of the current projects were planned at a much lower price. But the oil and gas prices are only one element of the equation. Commodities and raw material prices and project financing are two other important aspects to consider.

Although our clients are still in the process of finalizing their 2009 budgets and investment plan, the market instability has already triggered some reaction among our customers.

Smaller independents, which have been heavily relying on debt to finance their project, will certainly reduce their spending until cash flows are restored and credit markets reopened.

Larger companies, NOCs and IOCs, have always taken a longer term approach with a conservative oil price forecast, and they have strong balance sheets. We believe that they will maintain a long-term view and continue to spend at high levels, but with, perhaps, a stronger emphasis on upstream production related projects than downstream. In addition, they may decide to allocate capital to buying reserves, triggering M&A activities, instead of exploring, which is more risky.

Our customers' commitment to current projects that are in the procurement and construction phase is intact. However, for future projects, our clients are trying to benefit from the rapid decrease of raw material prices and the probable future decrease in equipment costs. Consequently, we have started to observe new project delays from about three to nine month, particularly Onshore.

So, what does it mean geographically and for the upstream and downstream activities? What I stated in early September, during presentations and road show about the consequences of potential lower oil price, has started to occur.

I'll start with Canada. Canada oil science projects are now too expense due to high local cost and a heavy crude that is discounted compared to the WTI. This is an area where we are already seeing delays and cancellations of projects.

Onshore, large new LNG projects in Nigeria, they are delayed, but also in Australia, although conceptual studies and feeds continue. Clients want to be ready when conditions improve again.

The Middle East remains robust with a long-term approach. This is an area where we have already seen some rescheduling last year, not because of the economic situation, but because of a shortage of resources and an overrated market. However, our customers want to benefit from the raw material cost decrease, and are extending studies before committing to purchasing equipment and raw material.

In the Subsea, we expect a weaker market in the UK sector of the North Sea, which is dominated by small independent. However, deepwater activity continues at the same pace for the time being. These are long-term, often high production projects, which require a lot of planning for assets and subrogation.

On the supplier side, we have started to see some prices decreasing, but this is not consistent across the Board. While [burnt] steel price has decreased by 18% since the peak in July, the price of specialized steels and sophisticated equipments, such as certain rotating machines, are still stable for the time being.

More generally, everyone along the supply chain is trying to ensure that they work with the most robust partners or suppliers favoring, in general, larger companies with a strong balance sheet. I also believe that a rationalization process will start among some players in our industry. Small and highly leveraged competitors may not have access to financing and, most certainly, will have to reduce their capacity expansion plans.

So, in this difficult environment, you will have understood that we are preparing our [2000] budget in an environment which is fairly volatile. But I believe we are very well positioned. First, Technip has a well diversified and profitable Subsea backlog with visibility into 2010. We have a strong balance sheet with EUR1.555 billion in net cash. We have a well balanced portfolio by client segment and geography. And we have first class technology and project management skills.

So, large customers are still planning for the long-term and are, clearly, telling us that they need solid partners, both technically and financially. In fact, many of our customers have already started a process to identify who are the best partners in the new environment.

Last, but not least, reservoir depletion rates are now reaching 8% to 9% per year. This will trigger massive investment, even if the demand were to flatten in the short-term.

So, this concludes our comment and we are now ready to answer the questions you may have.

QUESTIONS AND ANSWERS

Operator

Thank you. Ladies and gentlemen, at this time we will begin the question and answer session. (Operator Instructions).

Thierry Pilenko - *Technip - Chairman and CEO*

Either I was crystal clear or that means that the system is not working.

Operator

We have our first question from Mr. [Iain McPherson]. Sir, please go ahead.

Iain McPherson - - *Analyst*

Hi, good morning. Congratulations on the great quarter. Thierry, I just wanted to get your view. I think you, obviously, have laid out the intermediate and long-term very clearly for us. And do you have a sense as to what the durability of your very strong margin capacity today is as you look out over what looks to be, as you describe, a slowing environment for new awards potentially next year? Would you consider, just based on the strength of your backlog, that the margins that you're getting today are probably going to be sustainable through the intermediate period?

Thierry Pilenko - *Technip - Chairman and CEO*

Well, you know it's too early to give any guidance for 2009. But there are two elements which can help you to make your evaluation. One is that our Subsea business has continuously improved for the past seven quarters, and that we are now benefiting from much better execution and also better pricing. That happened during the recent part of the cycle. We have a long backlog in Subsea. So, provided we continue with good execution, I expect good performance.

On the Onshore side, what we did, over the past 18 months, is to de-risk our portfolio. As you probably know, there is still a great proportion of our revenue, around probably 40% to 50%, which is without margin. However, those projects are going to be completed in the next few months. Therefore, we should be getting, in terms of percentage, a level of margin that we wanted to get from projects which are de-risked. And we will be in a position, again, to take large projects but with very focused teams and with a very selective project.

So, that's what I would say about the sustainability of our performance.

Iain McPherson - - *Analyst*

Okay. Thanks for that. If I can just get a quick follow-up, changing topics? Obviously, a couple of your peers had a quick look at maybe a consolidation effort last quarter. That didn't quite come off. And I know that you've been an outspoken proponent on that front. How do you view the current market, just with respect to involving near-term outlook and, certainly, quite different valuations among the public companies? Is this a better or worse time for the industry to pursue consolidation that we've talked about in the past?

Thierry Pilenko - *Technip - Chairman and CEO*

I think, in terms of valuation, certainly it's a better time. However, you know what has happened recently, with the attempt of merger of two of our competitors, is showing that valuation is not the only criteria. You also need to find the right chemistry between the management and the teams and the right industrial model.

So, I always say that consolidation is something which could be desirable but it takes two to dance. And, therefore, valuation is not the only element that we would be looking at.

Iain McPherson - - *Analyst*

Okay. Thanks. I'll turn it over.

Operator

The next question is from Mrs. Katherine Tonks from Credit Suisse. Madam, please go ahead.

Katherine Tonks - *Credit Suisse - Analyst*

Good morning. I just wanted to get some more color on your comments on your CapEx program. The fact that it's under review, does that reflect things like falling steel prices, or are you considering deferring some projects?

And then secondly, specifically on Asia Flex, I wondered if you have any visibility yet on orders for that plant, and your confidence for utilization when it comes online?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Very good questions. For the projects that have already been committed, I think it would be extremely difficult to get better prices on raw material and equipment and so forth. Because long lead items have been ordered, they are being manufactured, and so forth. It's very similar to what we are experiencing on projects with our customers.

So, however, for new projects, we will be looking at launching them at the right time, when they make sense, with the right level of return on capital, and, certainly, in an environment where we expect cost of raw material, and cost of equipment, to go down.

Now, our priority for 2009 will be to make sure that we preserve our cash flow and maximize our cash position. Therefore, we have to rethink what is the best time to spend additional CapEx.

Now, as far as Asia Flex is concerned, we haven't yet an order. But we have some very positive signals from the market, and I'm not going to say in which country, from the market that there could be one or more customers who would be interested by the production of this plant.

So, our view of the Asia Pacific market for flexible plant hasn't changed. And, in fact, we have even decided, in spite of what we hear in the market, we have even decided that we would add umbilical manufacturing capacity to this plant. So there is no change to the committed CapEx at this stage.

Katherine Tonks - *Credit Suisse - Analyst*

Thank you very much.

Operator

We now have a question from Mr. Alejandro Demichelis from Merrill Lynch. Sir, please go ahead.

Alejandro Demichelis - *Merrill Lynch - Analyst*

A couple of questions, if I may? The first one is, maybe you can give us an indication on the EBIT that you posted today. How much of that is coming out of interest coming from the cash that you have allocated from projects?

And the second question is, your strategy has been, on the Subsea, to target smaller projects. Is that strategy going to change now that you're talking about the slowdown, particularly from independent companies?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. So, while I'll answer the question on the Subsea business, I'll have our Financial Controller check what is the income from interest on project.

So, our strategy was not to target small projects in the Subsea business. Our strategy was to have a balanced portfolio where, at any time in the portfolio, we would have a large project in the execution phase, a large project in the engineering phase, several medium sized projects and a good number of small projects, typically North Sea type projects. But not only in the North Sea. We have these projects in Asia, we have these projects in Africa, we have these projects in Brazil, and in the Gulf of Mexico.

So, where do we stand today? We actually have a portfolio in which we are finishing Agbami, a very large project in Nigeria. We are in the engineering phase of Pazflor, the largest project ever for Subsea. We have in Brazil, in the Gulf of Mexico, and soon in the North Sea a number of medium sized projects. And, of course, the usual small projects here and there.

So, what we think is happening in the market is that we are probably going to see more medium to small sized projects in the near-term being awarded. The next large one is probably going to be in Africa again.

And I'd like to remind you that we just were awarded Block 31 in Angola. And Block 31 is a program. So, a program means that we have a four year contract for which we have recognized only the first phase. And we are going to be associated with BP over these four years. And it's going to be for projects of small to medium size again.

But I also said that we may see, and actually we have started to see some pressure, on the UK side of the North Sea because of the small independents that may not have the same financing as in the past. But you know it's only one part of our business. Norway is still very strong, so the Norwegian side of the North Sea is still very strong. And we have a very balanced portfolio geographically. So, I don't expect a major impact here of the slowdown of the smaller independents.

The cash -- sorry, interest, Arnaud?

Arnaud Real - *Technip - Financial Controller*

Regarding the interest income included in our EBIT, this is representing in this quarter in the range of EUR20 million, of which about two-thirds are originating from Onshore. This is, in total, about 1% of our revenue of the quarter.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Okay. Thank you. And several small follow-up. When you were referring to these new contracts in Africa, is the Tullow announcement of yesterday the one that you have in mind?

Thierry Pilenko - *Technip - Chairman and CEO*

No. Well -- yes -- well, I'm not going to answer this one, it's not (inaudible) the time. But I think there are rumors in the market, so you can imagine what that could be.

Alejandro Demichelis - *Merrill Lynch - Analyst*

Okay. Thank you.

Operator

Mr. Christyan Malek from Deutsche Bank, please go ahead with your question.

Christyan Malek - *Deutsche Bank - Analyst*

Good morning, Thierry. Three questions, if I may, actually. Just, thank you for being clear in terms of the mid to longer term outlook. I thought that was very helpful.

Just first question regarding Qatar, and I know it's not the most favorite of subjects given you've moved on a lot in other businesses, but I think you mentioned the pressures on costs coming down. But I think, perversely, whether they were oil price against the backdrop of harder negotiations with the clients, who are perhaps not so accepting of delays and lower quality of care, is it easier or harder to negotiate Qatar?

And I guess what I'm trying to get to is are you still confident that the charge you made in the first quarter this year will capture anything going forward? Because I do believe this is still a key fear on Technip despite all the other great news you've got.

Secondly, on M&A, you mentioned it takes two to dance, but do you not feel that, at some point, people are going to be forced to dance? It's sort of, right take it or leave it, given we could see potentially a huge acceleration of project awards, particularly for those asset-intensive companies.

And thirdly, have you stress tested your business model, the scenario where 12 months of no projects could occur? If we are in a drought, what happens to your guidance in mid to longer term outlook, even if the longer term fundamentals are, as you say, still robust?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Well, that's many questions. So, I'll start with Qatar. Is the price of oil and gas making the negotiation harder? I don't think so.

I think the discussions that we have with our customers are on the merit of the project itself. Our customers in the Middle East are taking a very long-term approach. We are not talking about customers here that would have financing problems or cash flow problems. It's a discussion which is taking time. I remind you that on the first two projects it took us a year to negotiate an extension and compensation for the projects on Qatargas III and IV. We are in the situation we were last year with Qatargas II and with RasGas III.

Now, the difference this year is that we have made tremendous progress on these projects. And so our view, in terms of the provisions that we took at the beginning of the year, hasn't changed. But it will, obviously, depend on the outcome of our discussions. And we have no reason, at this stage, to believe that the outcome will be different from what we thought in January.

Now, I'm not sure I need to go into details about M&A, and maybe somebody will be forced to dance and so forth. I don't think this is how I look at things, but that may well happen.

Now, you know, Christyan, talking about the 2010 guidance, I don't think anyone today in the market can say they would confirm or change a guidance for 2010, a guidance that has been set in 2007. It is just, the market has changed.

So, your question is about are we stress testing the different scenarios. The answer is, yes. We are doing a budget with sensitivity studies. And, obviously, the further you go in time, the more uncertainties. And 2010 will depend upon contracts that will be signed in 2009. That's not new. And our customers are preparing their budgets. And given some trends about what's happening, they are not, generally, abandoning projects, they just want to take the best time to award these projects.

And, personally, but that's a very personal view at this stage, and it's early, but I believe that mid next year there will be more clarity of where the price of oil is going to go, and what projects are going to be awarded, and what projects could be a delay.

Christyan Malek - *Deutsche Bank - Analyst*

Okay. Well, thanks for that. Just maybe two follow-ups. One on M&A. And maybe it's a wrong question, but whereabouts across the oil chain would you feel would benefit you most? You've highlighted Subsea. Is there anything that you've got your eyes specifically fixed on that would complement Technip?

And I guess, secondly, you have been -- you're the only company that have given guidance for 2010, and quite explicit in terms of your margins. On the basis that mid-year next year is when you see visibility, does that not really mean that these numbers could be under review?

Thierry Pilenko - *Technip - Chairman and CEO*

Well, let's go back to M&A for a minute. In the current environment, our priority should be on preserving our cash and making sure we have the right level of cash flow, therefore, focused on execution. I think this is what people need to get first.

It's very important that, in a period of volatility, you focus on cash and on execution. And we're going to continue to do that. It doesn't mean that we can't be opportunistic if the right opportunity arises. Our view of the market has not changed actually long-term. There will be need for massive investment in the deepwater, for example. But that's all I want to say about M&A. Our focus is cash flow and execution.

Now, Christyan, I want to go back on your statement about I've given 2010 margin. I've given 2010 margin guidance. In October of 2007, the world is different. Our customers are thinking differently. In fact, this is creating different types of risk, but also different types of opportunities, because our customers are looking at stronger partners for the long-term.

What I already know is that, in terms of the percentage margin of the Subsea business, we're already way above our 2010 guidance. We were talking about 16%, and this quarter we are at 20%. So, I would say that it's a different world. We're already over achieving on the Subsea side.

We have the seeds in our backlog of the Onshore to achieve the level of percentage that we set for ourselves in 2010. Now, a lot of it will depend upon what is going to be signed in 2009. That's all I would like to say.

Christyan Malek - *Deutsche Bank - Analyst*

Brilliant. Thank you very much.

Operator

We now have a question from Mrs. Amy Wong from JP Morgan. Madam, please go ahead.

Amy Wong - *JP Morgan - Analyst*

Hi there. Hi, Thierry. First question is can you give us an update on the Qatargas III and IV, and what percentage of completion you are at these projects?

And sort of related to that division, the Onshore division, you have a very strong Subsea business. But can you remind us of your strategy in the Onshore division, especially given your comments about the expected slowdown in upstream project awards?

Thierry Pilenko - *Technip - Chairman and CEO*

I'll come back to you on Qatargas III and IV. I think we are probably around 40% to 50%, but we'll get the right number for you.

On the Onshore business, our focus has not been revenue. Our focus has been, first, project execution and, secondly, profitability. So, the view has not changed.

Now, we are in a situation where [approximately] many of the difficult projects will be behind us. As you have seen, we have closed on a number of projects. And many of them will be finished in the coming months, in the first quarter, second quarter of 2009. So, we are now in a position, particularly with this different cost environment, we are now in a position where we can refocus our teams on a few good large opportunities.

We have excluded some markets, and I've communicated on that before, and they are markets where we do not go after very large projects. And we have focused our efforts on areas where we have the right level of skills and teams to get after the projects.

So, we do have on our radar screens a number of large projects, of which we will begin. I don't want to get into the details of these projects today, but it probably won't be a surprise for you to learn that these projects are generally in the Middle East. This is where we see customers taking the longest term view of the market. So, these are the type of projects we will be targeting.

So, a balanced portfolio in terms of risk. And I think now, during 2009, in a position to target a couple of these large projects.

So, the answer about Qatargas III and IV, we have a number.

Arnaud Real - *Technip - Financial Controller*

So, we are currently above 80%.

Amy Wong - *JP Morgan - Analyst*

Above 80%?

Thierry Pilenko - *Technip - Chairman and CEO*

Sorry, when I was talking about a lower percentage, it was about construction. But it's not 80% for the whole project.

Amy Wong - *JP Morgan - Analyst*

Okay. Great. Thank you very much.

Operator

Mr. Thomas Deitz from RBS, please go ahead.

Thomas Deitz - *RBS - Analyst*

Yes. Hi, gentlemen. Just a few follow-up questions, if I may. You were talking about cash preservation. And I was wondering whether you could give us an idea of what your net debt expectations are for next year? Whether you think you could come in, in the same range as this year. And I'd like to put that in the context of a slowing Onshore business where we could expect customer deposits to come down. That's the first question.

And the second question relates to the Subsea margins. I wonder how comfortable you are with the current levels, given that 2009 will probably see smaller projects and, therefore, higher vessel transit times. And we can expect that vessels, therefore, are utilized a bit -- the utilization will be lower than this year.

And then finally, last question. I was wondering whether you could just comment on how you see the Brazilian market evolve in the short-term? Many thanks.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Three very interesting questions. First of all, our net debt at the end of 2009 will depend upon what we're going to put in our budget and our cash flow projection, our CapEx projection. All this is being reworked as we speak. So, I'm not going to give you a number for the end of 2009.

But we are working on trying to preserve our cash as much as possible in this environment so that we can take advantage of any opportunity that could come up, and make sure we -- whatever the length of this difficult environment, that we go through what people call the storm.

Now, about customer deposits coming from the Onshore. Yes, of course, if we take less large lump sum turnkey projects, we should expect lower customer deposits. But the Onshore business is not the only provider of cash.

If you look at our slide on the return on capital, you will see that the working capital coming from the Subsea business is highly negative as well. It is because we are also getting cash advances on a business like the Subsea which is more profitable. Therefore, you get -- at the end of the project you have much more of that cash available. So, it is not as simple, as Onshore means cash advance.

We have a more balanced activity between Subsea and Onshore. We have longer term projects for the Subsea business and, therefore, we will get good cash flow there.

Coming to Subsea smaller projects and higher transit time, this is not really how it works. I don't expect that in 2009 we will have a lot of vessels moving around. What happens, if you start to see a slowdown, a local slowdown in [ordinary areas], that you have a smaller utilization, not necessarily a lot of transit times between locations. And what I'd like to say also is that transit time is one element. But what is more important is what is the pull through that we have from the key vessels that you have in your fleet.

To take some large projects in Africa, it is -- or in Brazil, or in the North Sea, we often generate much, much more from the additional fleet that we hire on a short-term basis to execute project, than from our main vessels. So, it is not just a simple question of utilization and transit type.

Your last question about Brazil. So, Brazil continues to remain a very good market and a good opportunity for many players in our industry. I never expected Brazil to grow at the rate that people were talking about, for two reasons. First, it requires new assets. Second, it takes a lot of people to manage the new projects.

Now, in terms of the new assets, what is happening today -- and that's not necessarily in our industry, let's look a little bit outside of our industry, talking about drilling here. What's happening today is that the drilling capacity that was being prepared for Brazil operations will not arrive on time. Not because only of project delays, but because the players that have committed to build those assets may have financial difficulties. They may not get the financing to build those new assets. Therefore, I think we will be seeing a shift of projects.

But let's not forget that a lot of the future growth of Brazil was depending upon [SUBSO]. This is what people were talking about. We should not discount what is presold as well, where we have -- sorry not presold, post-sold, which is where we have a lot of projects. So I would say Brazil is going to continue to develop. Probably not aggressively as what people thought initially, but it is still a good area of growth. And we will be seeing tenders in the near future for construction vessels, for drilling rigs, for SPSOs. And I believe those tenders are probably going to go to the most reliable providers of the market.

Thomas Deitz - *RBS - Analyst*

So, you think that some of the additional capacity coming into the market that was earmarked for Brazil, some of the weaker players will not find any work and most of the work will go to the stronger players like yourself and [Sidebem] and others?

Thierry Pilenko - *Technip - Chairman and CEO*

No. I'm not saying some of the weaker players won't find the work. If they have the assets, they will have the work. What I'm saying is that -- and I was referring particularly about drilling, is if the players who had expected to finance these assets with external financing, those players will have difficulties to finish the assets. To finish the construction of these new assets.

Now, if a player today, whether a small or large player, has an existing asset which is suitable for the Brazilian operation, he will have his chance like any other company.

Thomas Deitz - *RBS - Analyst*

All right. And have you seen any pressure on pricing so far?

Thierry Pilenko - *Technip - Chairman and CEO*

Pressure on pricing? No, not direct pressure on pricing. What we have seen is customers telling us -- we are involved in a very large number of field and conceptual projects early in the phase, particularly Onshore. And what we have seen is customers asking us, let's work together now to see if there is any way we could delay the purchasing of bulk and equipment so that we can take advantage of the decreasing prices of bulk and equipment.

I remind you that very often, on the Onshore projects, procurement represents up to 40% of the total bill. So, our customers want to take advantage, the benefit of the decrease in price. So, what we're going to see -- we're already see that with some bulk like steel and raw materials. We have not seen it yet with specialized equipment, but this should happen at some stage, just because the raw material is less expensive.

And also because, over time, the capacity -- the under capacity that was in the previous phase of the cycle, will be become over capacity for manufacturing, in particular. And in this environment, we can expect that prices will be better. So, our customers are working with us to try to delay the procurement as much as they can. So, this is why they don't award yet the large lump sum turnkey projects.

We have even seen recently that a recent award has been questioned by the customer who wants to maybe re-think the procurement strategy and possibly re-tender.

So, these are things that are happening in the market. But on our pricing, particularly Subsea, we haven't seen any signs of pressure which is coming from the new environment.

Thomas Deitz - *RBS - Analyst*

Very good. Thank you very much for those clear answers.

Operator

Mr. Alex Brooks from UBS, please go ahead. Mr. Brooks, you have the floor.

Alex Brooks - *UBS - Analyst*

Yes. Good morning, everybody. I've got a couple of questions, and one accounting item. My first question is on lower inflation. I wonder if you can make any general comments on the impact of lower cost inflation on your lump sum business over the next 12 months, and to what extent you can -- you will be able to take advantage of that?

My second question is, you have a very helpful slide which splits out the backlog by segment and market, and, within that, you've got a split of refining and heavy oil and gas and LNG. I wonder if you could just give any indication of what proportion of that is maintenance-type spend versus large capital projects?

And finally, the accounting question. You had a big depreciation of Subsea in the third quarter. Will we see that again in the fourth quarter?

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Very good. I'll start with the last one, it's easy to answer. The big depreciation in the Subsea business in the third quarter is a one off event, which is related to the adjustment of the value of assets on one vessel on which we have decided a retirement date. So, therefore, we have, basically, written off whatever was exceeding that retirement date. So, it's a one-off event of about EUR20 million? Yes, EUR20 million.

Now, as far as lower inflation is concerned and how this could benefit us, obviously, for us, and I would say for our customers, it is easier to work when the prices of your suppliers are going down than when they are going up. So, we could expect that on lump sum turnkey projects there would be an opportunity to restore margins, particularly on the procurement side.

However, we should not fool ourselves either. Our customers know that. Therefore, if there is continuous decline of price of raw material, at least for a certain time, even if they decide on a -- awarding lump sum turnkey projects, they may want to share the benefit of the declining prices.

So, we won't be in a pure lump sum turnkey but probably something which will be a mix between [LSDK] on certain parts of the project, and re-reimbursable on -- or cost plus on other parts so that everybody can benefit from the decline in price. So, it's not going to be a straight answer. Fixed price, therefore, or the possible decline in raw material is for the contractor.

Backlog by segment, I'm not sure I understood completely your question here. We do have refining heavy oil and LNG projects in the backlog. We have good visibility on these projects.

Refining, the market is evolving very differently in the different parts of the world. For example, we do expect that the refining capacity in North America will increase so rapidly next year, in front of a weaker demand, that probably for the -- at the end of 2009 we will have over capacity. And for the next few years there will probably be very little investment in the US for new refining capacity.

However, in the Middle East, because they are taking a longer term approach, because they have decided to move -- continue to move up the value chain, we will see some refining projects going on.

So, LNG, a little bit of the same. Some projects are being delayed in Australia and in Nigeria, but they are still on the radar screen. And as soon as the conditions start to improve, I wouldn't be surprised to see those projects going ahead.

So I'm not sure this was your question, but --.

Alex Brooks - *UBS - Analyst*

No. That's very helpful. Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. Thank you.

Operator

Ladies and gentlemen, we only have time for one more short question. Mrs. Dominique Patry from Cheuvreux, please go ahead.

Dominique Patry - *Cheuvreux - Analyst*

Yes, good morning. I have actually, if I may, three questions. The first relate to the Onshore division. Given the fact that you have mentioned that you have a strong workload in your engineering centers, does it mean that your engineers in the Onshore division are fully occupied into next year? Basically, can you all help us quantify the visibility in terms of the occupation of your engineer in the Onshore division?

Then I have another question. Could you help us quantify the proportion of your activity that you have with independent companies with IOCs and with NOCs, given the fact that you have mentioned that large players have maybe a more long-term view on their CapEx?

And then, finally, when you say that your 2009/2010 CapEx plan is under review, what is exactly the flexibility that you have on this EUR650 million to EUR750 million of previously target CapEx? Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

Okay. So, for a short question, it's three questions. I'll try to be short with the answer. So, yes, our engineering centers are fully occupied, and we have good visibility into 2009. But, as I said before, I think there are a number of contracts that we have on the radar screen. And once we are in 2009, we will see whether we can keep the same level of occupation towards the end of 2009.

Now, we do have a lot of flexibility in our engineering resources because we have about 2,500 people of temporary resources. We have about another 2,500 contractors contracted that we can play with in case we have difficulties to load one center or another.

The other thing is that we have worked now for many years with sharing the work between centers as we do projects -- generally, we don't do projects in a single center. So, we are monitoring the load of all our centers and making sure that we split projects intelligently so that before we subcontract more or we hire additional resources, we load our own centers. So, I hope this answers your first question.

About the proportion of independent IOCs and NOCs, I would say the independent, small and large, because it's not only small, small and large are about 20%, IOC is 40%, NOC is 40%. So, about 50/50 between IOCs and NOCs.

Now, as far as flexibility on our 2009 CapEx, obviously, as I said before, we have four major CapEx that is already engaged and committed, which are the three vessels; two of them with long-term contracts and the Asia flex plan. So, we don't have full flexibility on it but there is some. And we will be communicating our CapEx plan as we communicate at the end of this year. But the idea is, at this stage, is not to increase, as you can imagine.

Dominique Patry - *Cheuvreux - Analyst*

Okay. Thank you.

Thierry Pilenko - *Technip - Chairman and CEO*

All right. Well, ladies and gentlemen, thank you very much for participating into our conference call, and thank you.

Kimberly Stewart - *Technip - VP, IR*

Ladies and gentlemen, this concludes today's conference call and we'd like to thank you all for your participation. As a reminder, a replay of this call will be available on our website in about two hours.

You are invited to contact Antoine and I, should you have any additional questions. Thank you, once again, and please enjoy the rest of your day.
